

City of Victoria Purchasing Policy

I. Purpose

This purchasing policy was created to:

- Clarify and reconcile the complex requirements of state purchasing law, departmental procedures, and the Finance Department processes
- Provide a comprehensive resource book for staff to be effective and efficient when making purchases
- Standardize purchasing and payment methods to expedite the purchasing process

The standards in this policy are minimum standards to ensure fiscal responsibility. Departments may set more restrictive procedures to meet their own budgetary accountability.

II. Quick Reference Guide

Value of Purchase	Quotations Needed	Payment Request Options	Approvals Needed Prior to Purchasing
Less than \$100	None	Credit Card Check Request	Department Finance City Manager City Council
\$100-\$4,999	Departmental Discretion	Credit Card Check Request Purchase Order	Department Finance City Manager City Council
\$5,000-\$9,999	Two Written Quotes or RFPs	Check Request Purchase Order	Department Finance City Manager City Council
\$10,000-\$99,999	Two Written Quotes or RFPs	Check Request Purchase Order	Department Finance City Manager City Council
Greater than \$100,000	Sealed Bids	Check Request Purchase Order	Department Finance City Manager City Council

Notes:

- If a cooperative purchasing agreement is in place, quotations are not needed.

- All purchases must be approved as part of the annual budget or within the CIP. The level of budgetary control is established at the department level. Expenditures for departments that exceed appropriations are not authorized unless additional revenue sources, unspent appropriations, or fund balances are identified and available. The City Manager is authorized to transfer up to \$10,000 between departments if an additional revenue source, unspent appropriations, or fund balances are identified. Council approval is required for amounts over \$10,000.
- The City Council has pre-approved payment for utility accounts and payroll transfers that occur in the normal course of business even though they may exceed \$10,000. These are contractual accounts for services that are approved as part of the budget process. The vendors that fall under this situation include: Centerpoint Energy, Minnesota Valley Electric Cooperative, Xcel Energy, Metropolitan Council Environmental Services, United States Treasury, State of Minnesota, PERA, and the City's insurance and healthcare providers. Any payments to these vendors that are outside the normal course of business will be presented to the City Council for individual approval.
- Debt Service Payments are also pre-approved as listed in the Debt Service Schedule in bond documents.
- Contractual services are subject to the limits in the Quick Reference Guide above. Independent contractors are required to provide proof of insurance before providing services.
- RFPs are required for contracting services in excess of \$25,000 except for contractors included in the consultant pool.

III. Ethics/Relations with Vendors

The City of Victoria holds its employees to the highest ethical standards. Purchases shall be conducted so they foster public confidence in the integrity of the City's procurement system, and open and free competition among prospective suppliers. In keeping with this value, employees should avoid the following practices when making purchases on behalf of the City:

- Circumventing competitive bidding requirements – Examples include:
 - Splitting purchases so that they can be made through several small purchases
 - Using the emergency procedure process when no true emergency exists
 - Using a “sole source” exemption when competition is available
- Denying one or more vendors the opportunity to bid on a contract – Examples include:
 - Using unnecessarily restrictive specifications
 - Pre-qualifying bidders on a discriminatory basis
 - Removing companies from a bidders list without just cause
 - Requiring unnecessarily high bonding
- Giving favored vendors an unfair advantage – Examples include:
 - Providing vendors with information regarding their competition's offers in advance of a bid opening
 - Making information available to favored vendors and not to others
 - Giving un-favored vendors inaccurate or misleading information
- Accepting gifts from vendors
 - Minnesota Statutes §471.895 prohibits government employees from receiving gifts except where they are included as part of the cost of a product, good, or service provided (such as a meal as part of a conference).

IV. Purchasing Process

The City of Victoria has a decentralized purchasing program where individual departments are responsible for making their own purchases. There are a few exceptions including supplies maintained in the office supply closet, paper, and stationery products, and modular furniture and chairs. The Administrative Assistant will assist staff members who need help with research or purchase of items in cases where staff are not familiar with particular products.

- Determine the need for commodities or services.
- Research the cost of the purchase and determine proper purchasing alternative.
- Determine the appropriate account coding and whether there is sufficient funds available in that budget line item.
- Forward request to department director or designee for approval. If the purchase exceeds \$5,000, City Manager approval is required. If the purchase exceeds \$10,000, City Council approval is required.
- Department director forwards request for payment with invoice to the Finance Department for approval and input into financial accounting system.
- Finance produces claims roster for approval by City Council.
- Payment is made by the Finance Department.

V. Purchasing Alternatives

SEALED BIDS

- A formal sealed bid procedure is required for all purchases in excess of \$100,000 except for professional services.
- A published notice of bid is required in the official City newspaper at least seven days in advance of bid opening. The published notice must state where the plans and specifications can be obtained by bidders and specifically, where the bid opening will be held. The notice may also be published on the City's official web site; however, this publication is in addition to the official newspaper publication.
- All bid openings are to be administered by originating department.
- The preparation of all specifications are to be the responsibility of the originating department.
- Required authorization for all plans and specifications is the responsibility of the originating department.
- The City Council must formally approval the bid contract.

STATE, COUNTY, AND OTHER COOPERATIVE PURCHASING CONTRACTS

The City of Victoria participates in the State of Minnesota Cooperative Purchasing Venture (CPV). This enables participants to buy goods and services at a reduced cost under the terms of contracts already negotiated by the State of Minnesota.

- The Finance Department has access to the releases and listings of products/services that can be purchases on state contract.
- If it is determined that a product/service is on a state contract, vendors should be told that the purchase will be made using that contract. When completing the purchasing paperwork, note that the purchase is per state contract and indicate the contract number.

QUOTES

If a purchase is estimated to exceed \$5,000 but not exceed \$99,999, the purchase is to be made by direct negotiation based upon quotations. If a purchase is made in this range, staff members are required to obtain at least two quotes. These quotes should be in writing. If the quotes are not written, the requestor who received the verbal quote must document the quote in writing. All such quotes must be forwarded to the Finance Department with the purchasing documents.

EMERGENCY

Emergency situations may arise where the normal purchasing process cannot be followed for the procurement of goods and services. An emergency means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster from developing or occurring.

Minnesota Statute §12.29 gives the Mayor the authority to declare a local emergency for up to three days, which period may be extended by the City Council. During such an emergency, if authorized by City Council, the City is not required to use the typically mandated procedures for purchasing and contracts. During that time, the governing body may waive compliance with the prescribed purchasing guidelines, including compliance with Minnesota Statute §471.345, Uniform Municipal Contracting Law.

Whenever possible the current purchasing policies and procedures should be followed even when an emergency is declared, but as described above if the emergency requires speedy action essential to the health, safety, and welfare of the community and if there has been an emergency declaration, the standard purchasing policies and procedures can be waived in accordance with Minnesota Statute §12.37.

REQUEST FOR PROPOSALS (RFP)

RFPs may be used to solicit proposals for professional services. Typical information to address in RFPs includes:

- Background and scope of the project
- The project's budget to ensure that the proposals stay within that range
- Proposal requirements should include adequate information to allow for proper review and evaluation including:
 - Description of firm and qualifications, including any specialized experience related to the project
 - A list of similar projects that the firm has completed
 - Project timetables including: estimate of hours, breakdown by hours by phase, and the City's expectation of a completion date
 - Designation of a firm principal who will be in charge of the project
 - Résumés for all staff who will work on the project
 - Statement that either no subcontractors are allowed or that all subcontractors will be identified and are subject to the City's approval
 - Estimate of cost to provide the service, outline of fee schedule and payment schedule
 - Description of City's selection process
 - City's evaluation criteria, which typically may include:
 - Quality and thoroughness of the proposal
 - Similar past experience and/or experience
 - References
 - Cost estimate
 - The following statement must be included: "The City reserves the right to reject any and all proposals, waive all technicalities and accept any proposal deemed to be in the City's best interest."
 - Submittal deadline: date, time, project name, and addressee

- Statement: “Proposers are solely responsible for delivery of their proposals to the City before the deadline. Any proposal received after the deadline will not be considered and will be returned.”
- Information about where questions should be directed

Attach a copy of the agreement proposed to be used for the project, including the City’s insurance certificate. The agreement includes provisions to which the firm must agree, so it is important that they see the agreement up front. It is suggested that the RFP be submitted to the City attorney for review prior to distribution.

LEASE PURCHASES

All operating and capital lease agreements require approval through the Finance Department and legal counsel prior to initiating a lease. Staff will conduct a lease versus buy analysis to determine the most cost-effective method.

ON-LINE PURCHASES

The following guidelines are recommended for purchasing products over the internet:

- Purchases should be made only from vendors that use secure servers for e-commerce.
- Standard purchasing guidelines should be followed.

VI. Payment

The City of Victoria uses various processes in making payments for goods and services.

STANDARD PURCHASE ORDERS

Purchase orders are used when required by the vendor to acknowledge the City’s request for goods and services. A copy of the purchase order will be sent to the vendor when requested.

- The purchase order number used will be a combination of the department and the sequence of orders issued for the year, e.g., the second purchase order for public works in 2014 would be PW-201401.
- Return an invoice for payment to the Finance Department when the purchase order is complete.

CHECK REQUESTS

The Finance Department policy is for bills to be paid on the claims list. For certain exceptions, requests for checks may be used under the following guidelines:

- Requests for checks are for payments that need to be made prior to the claims list. Examples include discounts, avoiding late charges, or purchases requiring payment with an order.

BLANKET PURCHASE ORDERS, CHARGE ACCOUNTS, AND HOUSE ACCOUNTS

The City uses charge accounts and house accounts for frequently used vendors. This process requires submission of a receipt with an account code and department approval. All new open accounts must be authorized by the requesting department director and the Finance Department.

INVOICES

Department heads should submit invoices with an account code and department approval. If provided, packing lists should also be submitted with the invoice. Documentation must be returned to the Finance Department to be processed on the claims list.

STATEMENTS

The Finance Department tracks all statements – reviewing for old invoices or credits. All statements are to be mailed directly to the Finance Department.

CREDIT CARDS

The City will issue credit cards to certain individuals to allow for more efficient purchasing and to make purchases at businesses that no longer allow open accounts. The City has a separate Credit Card Policy for these transactions.

ELECTRONIC FUNDS TRANSFER

Electronic Funds Transfer may be required in some cases to complete a business transaction and is often used for recurring items such as tax withholding, PERA remittances, and utility bills.

EXPENSE REIMBURSEMENT

A completed and properly authorized form is required for reimbursement to employees for City-related expenses. Mileage will be paid at the current IRS rate. All requests must contain proper account codes, department approval, and original receipts must be attached where applicable. Expenses will be reimbursed by check on the next claims roster.

VII. Disposal of Surplus Property

The City generally disposes of surplus equipment through public sale after City Council approval. Throughout the year the City collects items to be sold at public auction and sends them to an auctioneer with a description and number of items to be sold, and makes arrangements for those items to be transported. Staff may also use alternative sale methods, such as eBay when warranted. The auction house will forward a tabulation of the bids received along with payment. The information is reviewed by the equipment manager and then the payment is forwarded to the Finance Department. When computer equipment has reached the end of its useful life, hard drives are destroyed, and remaining pieces are recycled through a computer recycling vendor or disposed of as waste.

VIII. Environmental Concerns

Environmentally preferable products are goods and services that have a lesser or reduced effect on human health and the environment when compared with other goods and services that serve the same purpose. The following is an overview of items that should be considered prior to making a purchase. Details relating to the items can be found at the Solid Waste Management Coordinating Board website at www.swmcb.org.

OFFICE PRODUCTS – GENERAL

- Erasable boards – alternative to paper flip charts
- Solar powered calculators and other devices – eliminate the need for batteries
- Refillable pens, pencils, and tape dispensers – eliminate waste
- Reuse file folders and binders – applying new labels extends usefulness

- E-mail – alternative to paper memorandums
- Double-sided copies – reduce paper waste
- Reusable kitchen dishware – reduce waste
- Purchase products in reusable, refillable, or returnable containers – containers may be sent back to the vendor for reuse

COPY PAPER AND ENVELOPES

- Recycled content – when possible, purchase 100% post-consumer paper
- Chlorine-free paper – buying chlorine-free paper reduces pollution - choose paper labeled as “Processed Chlorine-Free” (PCF)
- White and pastel paper – fluorescent and dark colors are harder to recycle

OFFICE MACHINES

- Printers – choose printers with duplex units to save paper
- Printer toner cartridges – purchase remanufactured toner cartridges from supplies that will reuse spent cartridges

IX. Purchasing Policy Adoption

The City’s Purchasing Policy shall be reviewed by the Finance Committee. Upon recommendation by the Finance Committee the policy shall be presented to the City Council for adoption by resolution. Any modifications to the policy must be reviewed by the Finance Committee and adopted by resolution of the City Council.